BKI INVESTMENT COMPANY LIMITED

Annual Report

for year ended 30 June 2010

ABN 23 106 719 868

BKI INVESTMENT COMPANY LIMITED

CORPORATE DIRECTORY

Directors

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall	Non-Executive Director
Alexander James Payne	Non-Executive Director
Ian Thomas Huntley	Non-Executive Director

Chief Executive Officer

Thomas Charles Dobson Millner

Secretary

Richard James Pillinger

Registered Office

Level 2, 160 Pitt Street Mall,
Sydney NSW 2000

Telephone:	(02) 9210 7000
Facsimile:	(02) 9210 7099
Postal Address:	GPO Box 5015, Sydney NSW 2001

Auditors

Ruwald & Evans
Level 1, 276 Pitt Street,
Sydney NSW 2000

Share Registry

Advanced Share Registry Services Limited
150 Stirling Highway,
Nedlands, WA 6009
Telephone: (08) 9389 8033

Australian Stock Exchange Code

Ordinary Shares	BKI

Website

www.bkilimited.com.au

Contents

BKI INVESTMENT COMPANY LIMITED

FINANCIAL HIGHLIGHTS

Revenue Performance

		% Change		$'000
Dividend/distribution income - Ordinary	Up	8.2%	to	21,547
Dividend/distribution income - Special	Up	761.4%	to	11,155
Total revenue	Up	46.0%	to	35,721

Profits

Operating profit before tax but before special dividend income, realised and unrealised losses on investment portfolio and discount on acquisition	Up	8.4%	to	22,401
Dividend income - Special	Up	761.4%	to	11,155
Net realised losses on investment portfolio before tax	Down	2.3%	to	(2,358)
Discount recognised on acquisition of controlled entity	Down	100.0%	to	(46)
Net profit from ordinary activities after tax attributable to shareholders	Up	34.8%	to	31,152
Net profit attributable to shareholders	Up	34.8%	to	31,152

Portfolio

Total Portfolio Value	Up	15.2%	to	551,003

Earnings per share

				Cents
Basic earnings per share before special dividend income and realised gains on investment portfolio	Down	8.2%	to	5.44
Basic earnings per share after special dividend income and realised gains on investment portfolio	Up	14.1%	to	7.57

Dividends

Interim - Ordinary	2.50
Interim - Special	0.50
Final - Ordinary	2.75
Final - Special	0.50
Full Year Total	6.25

FINANCIAL HIGHLIGHTS (continued)

Net Tangible Asset (NTA) History:

	30/06/04	30/06/05	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10
NTA Before Tax	$1.08	$1.28	$1.43	$1.69	$1.52	$1.22	$1.32
NTA After Tax	$1.06	$1.20	$1.32	$1.51	$1.41	$1.19	$1.27

Dividend History (cents per share)

	30/06/04	30/06/05	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10
Interim	-*	2.1	2.5	2.6	3.0	3.0	2.5
Final	2.0	2.2	2.5	2.7	3.0	3.0	2.75
Special	-	-	1.0	-	-	-	1.0
Total	**2.0**	**4.3**	**6.0**	**5.3**	**6.0**	**6.0**	**6.25**

* This Company was listed on ASX 12 December 2003, no interim dividend is applicable.

LIST OF SECURITIES HELD AND THEIR MARKET VALUE AT 30 JUNE 2010 WERE:

Stock	Shares Held	Market Value ($'000)	Portfolio Weight
Financials			
National Australia Bank Limited	1,802,259	41,830	7.59%
Commonwealth Bank of Australia	831,600	40,416	7.33%
Westpac Banking Corporation	1,183,000	25,091	4.55%
QBE Insurance Group Limited	662,600	12,046	2.19%
Australia and New Zealand Banking Group Limited	460,261	9,942	1.80%
Westpac SPS II Institutional Offer	90,165	9,490	1.72%
ASX Limited	202,000	5,882	1.07%
AMP Limited	1,003,833	5,220	0.95%
Choiseul Investments Limited	1,086,210	4,834	0.88%
Bendigo Bank Limited	557,600	4,539	0.82%
Insurance Australia Group Limited	1,280,000	4,339	0.79%
Perpetual Limited	153,010	4,303	0.78%
Suncorp-Metway Limited Convertible Preference Shares	40,000	3,802	0.69%
Bank of Queensland Limited	317,426	3,301	0.60%
Macquarie Group Limited	85,000	3,155	0.57%
Suncorp-Metway Limited	390,000	3,101	0.56%
AXA Asia Pacific Holdings Limited	426,000	2,317	0.42%
Westpac Stapled Preferred Securities	20,840	2,088	0.38%
Milton Corporation Limited	107,538	1,718	0.31%
		187,414	**34.01%**

List of securities (continued):

Stock	Shares Held	Market Value ($'000)	Portfolio Weight
Energy			
New Hope Corporation Limited	14,760,452	64,946	11.79%
Woodside Petroleum Limited	390,000	16,263	2.95%
Santos Limited	130,000	1,629	0.30%
Caltex Australia Limited	91,950	864	0.16%
		83,702	**15.19%**
Industrials			
Campbell Brothers Limited	389,734	11,712	2.13%
Brambles Limited	745,952	4,028	0.73%
GWA International Limited	1,310,000	3,930	0.71%
Salmat Limited	970,100	3,832	0.70%
UGL Limited	211,200	2,820	0.51%
Seek Limited	400,000	2,788	0.51%
The MAC Services Group Limited	845,035	1,986	0.36%
Transfield Services Limited	400,000	1,212	0.22%
Intoll Group	762,329	789	0.14%
Lindsay Australia Limited	4,370,034	787	0.14%
Skilled Group Limited	644,826	696	0.13%
Transurban Group	134,581	568	0.10%
		35,148	**6.38%**
Consumer Discretionary			
Invocare Limited	881,000	5,304	0.96%
ARB Corporation Limited	845,600	4,761	0.86%
Tatts Group	1,411,000	3,147	0.57%
Fairfax Media Limited	2,100,000	2,709	0.49%
West Australian Newspapers Holdings Limited	372,458	2,417	0.44%
Tabcorp Holdings Limited	336,300	2,125	0.39%
Ten Network Holdings Limited	847,429	1,322	0.24%
Crown Limited	90,574	696	0.13%
Gazal Corporation Limited	211,865	337	0.06%
Consolidated Media Holdings	75,574	239	0.04%
		23,057	**4.18%**
Consumer Staples			
Wesfarmers Limited	663,070	18,997	3.45%
Woolworths Limited	667,000	17,902	3.25%
Metcash Limited	2,209,000	9,212	1.67%
Coca Cola Amatil Limited	696,000	8,220	1.49%
AWB Limited	1,164,000	1,057	0.19%
Fosters Group Limited	95,000	536	0.10%
Graincorp Limited	93,444	496	0.09%
		56,420	**10.24%**

List of securities (continued):

Stock	Shares Held	Fair Value ($'000)	Portfolio Weight %
Health Care			
Ramsay Health Care Limited	155,500	2,174	0.39%
Sonic Healthcare Limited	113,800	1,178	0.21%
Clover Corporation Limited	858,000	236	0.04%
		3,588	**0.65%**
Materials			
BHP Billiton Limited	1,386,000	52,155	9.47%
Brickworks Limited	436,209	5,169	0.94%
Rio Tinto Limited	49,562	3,304	0.60%
Onesteel Limited	800,000	2,376	0.43%
Orica Limited Step up Preference Securities	10,000	918	0.17%
Boral Limited	125,000	601	0.11%
Bluescope Steel Limited	233,568	488	0.09%
		65,011	**11.80%**
Property Trusts			
Westfield Group	233,157	2,838	0.52%
GPT Group	200,000	560	0.10%
		3,398	**0.62%**
Telecommunications Services			
Telstra Corporation Limited	5,918,000	19,234	3.49%
TPG Telecom Limited	4,090,000	7,730	1.40%
		26,964	**4.89%**
Utilities			
AGL Energy Limited	1,111,500	16,117	2.93%
APA Group	794,452	2,860	0.52%
		18,977	**3.44%**
Total Investments		**503,679**	**91.41%**
Bank Deposits		**47,324**	**8.59%**
TOTAL PORTFOLIO		**551,003**	**100.00%**

The Group is not a substantial shareholder in accordance with the Corporations Act 2001 in any of the investee corporations as each equity investment represents less than 5% of the issued capital of the investee corporation.

GROUP PROFILE

BKI Investment Company Limited (the Group) is a Listed Investment Company on the Australian Stock Exchange. The Group invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

Shares were listed on the ASX commencing 12 December 2003.

Corporate Objectives

The Group aims to generate an increasing income stream for distribution to its shareholders in the form of fully franked dividends, to the extent of its available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Investment Strategy

The Group is a long-term investor in companies, trusts and interest bearing securities with a focus on Australian entities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

Dividend Policy

The Group will pay the maximum amount of realised profits after tax to its shareholders in the form of fully franked dividends to the extent permitted by the Corporations Act, the Income Tax Assessment Act and prudent business practices from profits obtained through interest, dividends and other income it receives from its investments.

Management

The Group has an internalised portfolio management function headed by the CEO, Mr Tom Millner.

The Group also engages Corporate and Administrative Services Pty Ltd to provide accounting and group secretarial services. These services are overseen by the BKI Company Secretary, Mr Richard Pillinger.

CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the 7th Annual Report of BKI Investment Company Limited for the year ended 30 June 2010.

Net Operating Profit before special dividend income and net losses on the investment portfolio increased 8.4% to $22.4m. This is the profit figure used by your Board of Directors to determine the level of ordinary dividends to be declared by BKI.

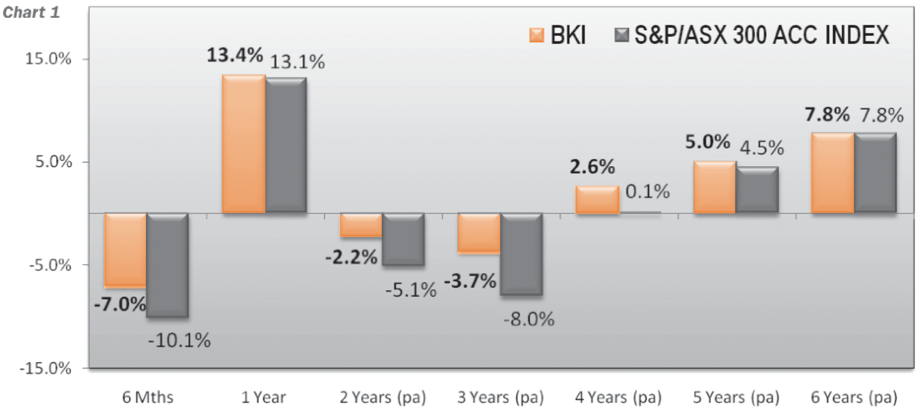
Net Profit After Tax was $31.2m, up 34.8% on the previous corresponding period. Income from operating activities before special investment revenue and net losses on the investment portfolio increased 6.0% to $24.6m.

Special Investment Revenue increased significantly to $11.2m after New Hope Corporation distributed a 72.75 cents per share special dividend and ARB Corporation paid out a 40 cents per share special dividend.

Performance

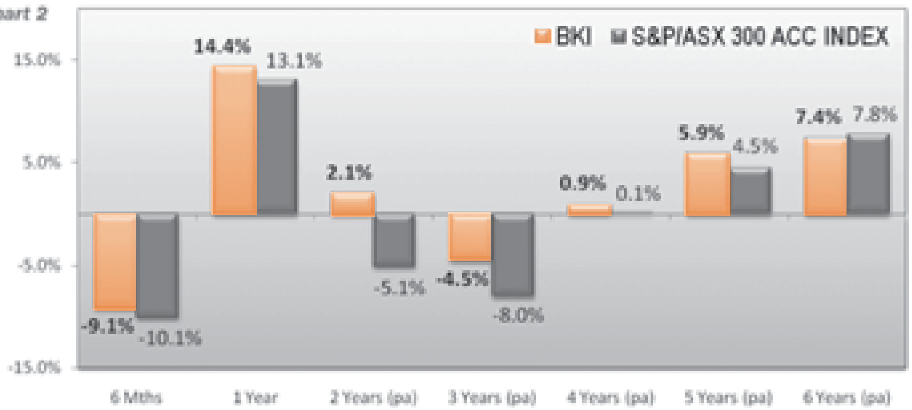
BKI's track record continues to deliver sound net investment returns with low investment risk. BKI's Net Portfolio Return (after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends) for the 12 months to 30 June 2010 was 13.4% compared to the S&P/ASX 300 Accumulation Index which increased by 13.1%. Chart 1 shows historical Net Portfolio Returns benchmarked to the S&P/ASX 300 Accumulation Index.

Chart 1



BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 30 June 2010 was 14.4%. This is compared to the S&P/ASX 300 Accumulation Index which returned 13.1% over the same period. Chart 2 shows historical Share Price Returns benchmarked to the S&P/ASX 300 Accumulation Index.

Chart 2



CHAIRMAN'S ADDRESS - Continued

There has been much talk recently regarding the industry's method of reporting returns. It is important to note that BKI (like most LICs) reports returns on a Pre-Tax NTA basis. Many investors believe that the Pre-Tax component only relates to the provision of tax on unrealised capital gains within the investment portfolio. This measure also includes the total operating expenses and income tax expense of the Company and shows no benefit of franking credits.

The Index which BKI is benchmarked against does not take into account any of these additional expenses. Also many managed funds report performance numbers without deducting tax expenses, management fees and performance fees. Research papers written recently on this topic suggest that performance figures under the LIC reporting methodology could be understated by up to 3% per annum when compared against these alternative measurement criteria.

Portfolio Movements

During FY2010 BKI invested some $36.2m into the market including the full $24.1m that was raised through the Share Purchase Plan in September 2009. Major investments included ANZ Banking Group, Metcash Limited, Telstra Corporation, Ramsay Health Care, Campbell Brothers, Woolworths Limited, UGL Limited, QBE Insurance, Woodside Petroleum and Westpac Banking Corporation.

Major divestments from the BKI Investment Portfolio included half of the Macquarie Group holding, and all shares in Alumina Limited and Qantas Airways. BKI is a long term investor with a buy and hold strategy, however if companies significantly reduce dividend payments or there is uncertainty surrounding future dividend payments and franking levels these positions are considered for divestment.

Divestments from the BKI Trading Portfolio included Seek Limited, Bendigo and Adelaide Bank, AWB Limited and Graincorp Limited. These stocks were all acquired through capital raisings and resulted in net profits of $712k being realised, a return of 52% on a post tax basis.

Table 1 – Top 25 Investments at 30 June 2010

	Stock	Amount ($'000)	% of total portfolio*
1	New Hope Corporation	64,946	11.79%
2	BHP Billiton Limited	52,155	9.47%
3	National Australia Bank	41,830	7.59%
4	Commonwealth Bank	40,416	7.33%
5	Westpac Banking Corporation	25,091	4.55%
6	Telstra Corporation Limited	19,234	3.49%
7	Wesfarmers Limited	18,997	3.45%
8	Woolworths Limited	17,902	3.25%
9	Woodside Petroleum Limited	16,263	2.95%
10	AGL Energy Limited	16,117	2.93%
11	QBE Insurance Group	12,046	2.19%
12	Campbell Brothers Limited	11,712	2.13%
13	ANZ Banking Group Limited	9,942	1.80%
14	Westpac Prefs (BB + 380 bp)	9,490	1.72%
15	Metcash Limited	9,212	1.67%
16	Coca Cola Amatil Limited	8,220	1.49%
17	TPG Telecom Limited	7,730	1.40%
18	ASX Limited	5,882	1.07%
19	InvoCare Limited	5,304	0.96%
20	AMP Limited	5,220	0.95%
21	Brickworks Limited	5,169	0.94%
22	Choiseul Investments	4,834	0.88%
23	ARB Corporation Limited	4,761	0.86%
24	Bendigo and Adelaide Bank Limited	4,539	0.82%
25	Insurance Australia Group	4,339	0.79%
	Cash and cash equivalents	47,324	8.59%
	* - Includes cash and cash equivalents	468,675	85.06%

CHAIRMAN'S ADDRESS - Continued

Dividends

Directors announced that the Final Dividend will be made up of a 2.75cps ordinary dividend as well as a 0.5cps special dividend. Both will be fully franked. The record date will be the 27th August 2010 with a payment date of 10th September 2010.

Total dividends paid by BKI during FY2010 equate to 6.25 cents per share which is an increase of 4% on the previous corresponding period.

BKI's Dividend Reinvestment Plan will be maintained offering shareholders the opportunity to acquire further ordinary shares in BKI at a discount of 1.0%.

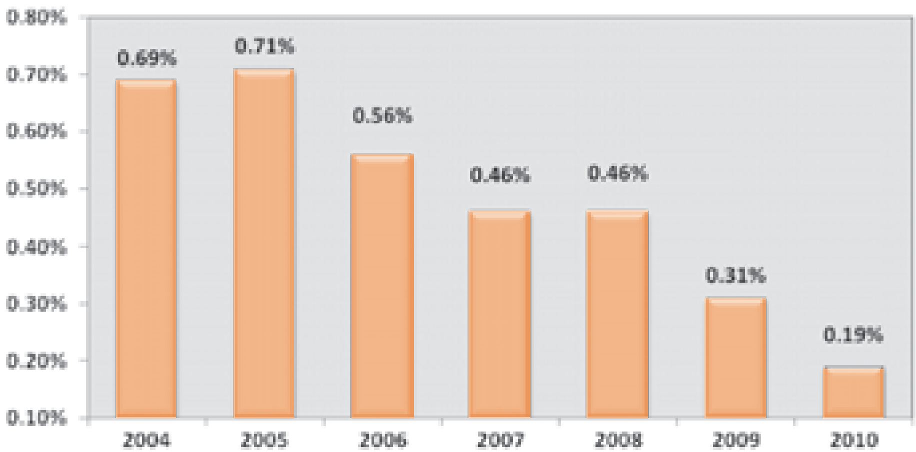
Operating Expenses

Operating Expenses were $1.0m for the year ended 30 June 2010, a reduction of 29.3% on the previous corresponding period.

Last year we stated that the MER for the financial year ended 30 June 2010 should be approximately 0.20% - 0.25%. I am pleased to report that BKI's MER for FY2010 is 0.19%, down from 0.31%. This MER now compares very favourably with those of the largest and long established LICs within the industry.

As can be seen from Chart 3, BKI has been successful in significantly reducing the Company's MER since listing in 2003. We will continue to pursue cost cutting initiatives to help increase value for BKI shareholders.

Chart 3



Share Registry

BKI recently transferred the company share register to Advanced Share Registry Services Limited. Shareholders are advised that their SRN/HIN will remain unchanged. You can access your shareholding details and manage your shareholding on Advanced Share Registry's website www.advancedshare.com.au or by contacting Advanced Share Registry on 08 9389 8033.

By transferring BKI's register, shareholders will save a considerable sum of money each year and the BKI Board and Management are confident that the quality of service for shareholders should increase.

Name Change

Shareholder approval was given at the 2009 AGM to change the name of the company to BKI Investment Company Limited. This change was made to better reflect the stand alone status of the company following the divestment of shares by Brickworks Limited.

CHAIRMAN'S ADDRESS - Continued

Director Resignation

Mr Geoffrey Hill resigned as a Director of the Company on the 8 September 2009. Geoff played a significant role in the listing of BKI and later joined the Board on the 14 December 2005 following the acquisition of Pacific Strategic Investments. Geoff was also a Director of Huntley Investment Company Limited. On behalf of my fellow Directors and Management I would like to thank and acknowledge Geoff for his contribution to the Company and wish him well in the future.

Outlook

The long term outlook for the Australian market looks attractive. Short term however, the recovery is still somewhat frail. The international backdrop remains a concern. The high levels of European debt and a possible US double-dip recession suggest concerns on the health of financial and economic systems in major economies will be prolonged.

Following the Global Financial Crisis the Australian Stock Market rallied strongly. The last 6 months has seen instability and anxiety re-emerge with the ill health of major economies placing significant pressure on our market. In addition to this, there are concerns over rising interest rates, house prices, energy costs and an eventual termination of stimulus support. These factors have all damaged investor confidence over the short term.

With market negativity comes opportunity. This correction is providing the long term investor with yet another chance to deploy funds in quality companies that have the ability to distribute dividends, have strong business models, robust balance sheets, proven boards and management teams and are trading at attractive valuations.

The BKI Investment Portfolio is well positioned for both income and capital growth over the coming years. BKI remains in a strong position to take advantage of investment opportunities when they arise, with cash and dividends receivable representing some 8.6% of the total portfolio.

Reduced company distributions over the last 18 months have had an impact on the earnings generated by investment companies, however, BKI is confident that distributions should continue to improve during the FY2010 reporting season and into FY2011 and FY2012.

BKI has a strong dividend payout ability including abundant franking credits, a high quality diversified investment portfolio, experienced Board and conservative investment team, no external portfolio management or performance fees and a competitive Management Expense Ratio (MER). BKI remains an attractive investment opportunity delivering sound returns with low investment risk.

Yours sincerely,

Robert Millner
Chairman

Sydney, 4 August 2010

DIRECTORS' REPORT

The Directors of BKI Investment Company Limited present the following report on the Company and its controlled entities (the Group) for the year ended 30 June 2010.

1. Directors

The following persons were Directors since the start of the financial year and up to the date of this report unless otherwise stated:

Robert Dobson Millner, FAICD – Non-Executive Director and Chairman

Mr Millner has over 25 years experience as a Company Director. During the past three years, Mr Millner has also served as a Director of the following other listed companies:

- Milton Corporation Limited*
- Choiseul Investments Limited*
- New Hope Corporation Limited*
- Washington H Soul Pattinson and Company Limited*
- SP Telemedia Limited*
- Brickworks Limited*
- Souls Private Equity Limited*
- Australian Pharmaceutical Industries Limited*

* denotes current Directorship

Special Responsibilities:

- Chairman of the Board
- Chairman of the Nomination Committee
- Chairman of the Investment Committee
- Member of the Remuneration Committee

David Capp Hall, FCA, FAICD – Independent Non-Executive Director

Mr Hall is a Chartered Accountant with experience in corporate management and finance. He holds Directorships in other companies and is the Chairman of the Audit Committee. During the past three years, Mr Hall also served as a Director of the following listed companies:

- Undercoverwear Limited

Special Responsibilities:

- Chairman of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

DIRECTORS' REPORT - Continued

Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM - Non-Executive Director

Mr Payne is Chief Financial Officer of Brickworks Limited and has considerable experience in finance and investment and is a member of the Audit Committee.

Special Responsibilities:

- Member of the Audit Committee
- Member of the Investment Committee
- Chairman of the Remuneration Committee

Ian Thomas Huntley, BA – Independent Non-Executive Director

After a career in financial journalism Mr Huntley acquired "Your Money Weekly" newsletter in 1973. Over the following 33 years, Mr Huntley built the Your Money Weekly newsletter into one of Australia's best known investment advice publications. He and partners sold the business to Morningstar Inc of the USA in mid 2006. Mr. Huntley continues an active role as Editor, Huntley's Your Money Weekly.

During the past three years, Mr Huntley has served as a Director of the following listed companies:

- Huntley Investment Company Limited (taken over by BKI Investment Company Limited in January 2009)

Special Responsibilities:

- Member of the Investment Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Member of the Audit Committee

2. Key Management Personnel

Thomas Charles Dobson Millner, B.Des (Industrial), GDipAppFin (Finsia), F Fin – Chief Executive Officer

Mr Millner Joined the Company in December 2008. Mr Millner was previously with Souls Funds Management (SFM) and held various roles covering research, analysis and business development. Whilst at SFM Mr Millner was responsible for the Investment Portfolio of BKI Investment Company Limited. Prior to this Mr Millner was an investment analyst with Republic Securities Limited, manager of the Investment Portfolio of Pacific Strategic Investments.

Special Responsibilities:

- Member of the Investment Committee

Richard Pillinger, BSc, CA - Company Secretary

Mr Pillinger is a Chartered Accountant with over 15 years experience in public practice and commercial financial roles.

3. Principal Activities

The principal activities of the Group during the financial year were that of a Listed Investment Company (LIC) primarily focused on long term investment in ASX listed securities. There have been no significant changes in the nature of those activities during the year.

DIRECTORS' REPORT - Continued

4. Operating Results

The consolidated profit of the Group after providing for income tax amounted to $31,152,000 (2009: $23,118,000).

5. Review of Operations

Operating expenses were $1.0m for the year ended 30 June 2010, a reduction of 29.3% on the previous corresponding period.

BKI's Net Portfolio Return (after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2010 was 13.4% compared to the S&P/ASX 300 Accumulation Index which increased by 13.1%.

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 30 June 2010 was 14.4%. This is compared to the S&P/ASX 300 Accumulation Index which returned 13.1% over the same period.

During FY2010 BKI invested some $36.2m into the market including the full $24.1m that was raised through the Share Purchase Plan (SPP) in September 2009. Major investments included ANZ Banking Group, Metcash Limited, Telstra Corporation, Ramsay Health Care, Campbell Brothers, Woolworths Limited, UGL Limited, QBE Insurance, Woodside Petroleum and Westpac Banking Corporation.

Major divestments from the BKI Investment Portfolio included half of the Macquarie Group holding, and all shares in Alumina Limited and Qantas Airways. BKI is a long term investor with a buy and hold strategy, however if companies significantly reduce dividend payments or there is uncertainty surrounding future dividend payments and franking levels these positions are considered for divestment.

Divestments from the BKI Trading Portfolio included Seek Limited, Bendigo and Adelaide Bank, AWB Limited and Graincorp Limited.

6. Financial Position

The net assets of the Group increased during the financial year by $63.3 million to $534.4 million.

This movement has largely resulted from the following factors;

- Funds raised through the Share Purchase Plan of $24.1m; and
- An increase in the market value of the investment portfolio of $27.6 million net of tax; and
- Special dividend income of $11.2m.

7. Employees

The Group has one employee as at 30 June 2010 (2009: 1).

8. Significant changes in the state of affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Group during the reporting year.

9. Likely Developments and Expected Results

The operations of the Group will continue with planned investments in Australian equities and fixed interest securities. No information is included on the expected results of those operations and the strategy for particular investments, as it is the opinion of the Directors that this information would prejudice the interests of the Group if included in this report.

DIRECTORS' REPORT - Continued

10. Significant Events after Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

i. the operations of the Parent and the entities that it controls;

ii. the results of those operations; or

iii. the state of affairs of the Group in subsequent years.

11. Dividends

There were two dividend payments during the year ended 30 June 2010.

On 4 September 2009, a final ordinary dividend of $11,824,290 (3.0 cents per share fully franked) was paid out of retained profits at 30 June 2009.

On 12 March 2010, an interim ordinary and special dividend of $12,497,248 (3.0 cents per share fully franked) was paid out of retained profits at 31 December 2009.

In addition, the Directors have declared a final ordinary dividend of $13,603,400 (2.75 cents per share fully franked ordinary dividend plus 0.5 cents per share fully franked special dividend) payable on 10 September 2010.

At 30 June 2010 there are $13,981,000 of franking credits available to the Group (2009: $11,916,000) after allowing for payment of the final, fully franked dividend.

12. Environmental Regulations

The Group's operations are not materially affected by environmental regulations.

DIRECTORS' REPORT - Continued

13. Meetings of Directors

The numbers of meetings of the Board of Directors and each Board Committee held during the year to 30 June 2010, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit		Remuneration	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	6	6	14	14	-	-	2	2
AJ Payne	6	6	14	14	3	3	2	2
DC Hall	6	6	-	-	3	3	2	2
IT Huntley	6	6	14	14	1	1	2	2
GG Hill [1]	1	1	-	-	1	1	-	-

1 – Mr G Hill resigned on 8 September 2009 and was ineligible to attend any meetings after this date.

14. Remuneration Report (Audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves and the Chief Executive Officer. It is the Group's objective to provide maximum shareholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and Key Executives fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

Elements of director and executive remuneration

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel of the Group is as follows:

- The remuneration policy is developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants.
- All Key Management Personnel receive a base salary or fee, superannuation and performance incentives.
- Performance incentives are only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of rights are intended to align the interests of the Key Management Personnel with those of the shareholders.
- The Remuneration Committee reviews Key Management Personnel packages annually by reference to the Group's performance, Executive performance and comparable information from industry sectors.

The performance of Key Management Personnel is measured against criteria as agreed with each Executive and is based predominantly on the growth of shareholder and portfolio returns. The Board may exercise its discretion in relation to approving incentives and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

DIRECTORS' REPORT - Continued

14. Remuneration Report (Audited) (continued)

All remuneration paid to Key Management Personnel is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

BKI has established a Short Term and a Long Term Incentive Scheme. The participants in this scheme are the CEO, Mr Tom Millner and the Company Secretary, Mr Richard Pillinger.

The aims of the BKI Incentive Scheme are:

1. To promote superior performance at BKI over both the short term and, more importantly, long term.
2. To ensure remuneration is fair and reasonable market remuneration to reward staff.
3. To promote long term staff retention and alignment.

To achieve the objectives of BKI, the Incentive Scheme is required to include several components with separate measurement criteria.

Short Term Incentive

The Short Term Incentive is determined by reference to annual Total Portfolio Return; compared to the S&P ASX 300 Accumulation Index. BKI's Total Portfolio Returns are measured by the change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends.

The Short Term Incentive is paid by way of BKI shares which will be purchased on market by the Company.

The value of the Short Term Incentive for the CEO is calculated as 15% of CEO base salary. The Short Term Incentive for the Company Secretary is to be set at 40% of the CEO Incentive.

100% of the Short Term Incentive would initially be based on the Total Portfolio Returns as follows:

BKI Total Portfolio Return Compared to S&P ASX 300 Acc Index	% of Eligible Bonus
Less than Index	0%
Equal to Index	100%
Plus 1%	110%
Plus 2%	120%
Plus 3%	130%
Plus 4%	140%
Plus 5% or more	150%

The Short Term Incentive is subject to discretionary Board adjustment for the achievement of improved Management Expense Ratio and promotion of BKI.

DIRECTORS' REPORT - Continued

The following table summarises current year performance against the Short Term Incentive measurement criteria:

1 Year BKI Total Portfolio Return	S&P ASX 300 Acc Index over 1 Year	Over / (Under) Performance	% Entitlement to Eligible Bonus
13.4%	13.1%	0.3%	100%

Long Term Incentive

The Long Term Incentive is determined by reference to annual Total Shareholder Returns; compared to the S&P ASX 300 Accumulation Index. Total Shareholder Returns are based on change in BKI Share Price and include the reinvestment of dividends.

For the CEO, the Long Term Incentive is calculated on 25% of base salary and vested in the CEO at 3 years provided that the 3 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index. Should that test fail it will again be tested in Year 4 and 5 to reflect the longer term success of the investment strategy. For the Company Secretary, the Long Term Incentive is to be set at 40% of the CEO Incentive and subject to the same vesting conditions.

The Long Term Incentive Scheme commences from 1 July 2010 and as such no cost is reflected in the results for the year ended 30 June 2010 for this Incentive Scheme.

Remuneration Details for the Year Ended 30 June 2010

The following disclosures detail the remuneration of the Directors and the highest remunerated Executives of the Group.

The names of and positions held by group Directors and Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
GG Hill	Non-Executive Director (resigned 8 September 2009)
TCD Millner	Chief Executive Officer
RJ Pillinger	Company Secretary (services provided under contract through Corporate and Administrative Services Pty Limited)

There are no other employees of the group.

DIRECTORS' REPORT - Continued

Details of the nature and amount of each Non – Executive Director's and Key Management Personnel's emoluments from the Parent and controlled entities in respect of the year to 30 June were:

Directors 2010	Primary $	Superannuation $	Equity Compensation $	Other Compensation $	Total $
RD Millner	47,500	4,275	-	-	51,775
DC Hall	36,000	3,240	-	-	39,240
AJ Payne	30,000	2,700	-	-	32,700
IT Huntley	32,700	-	-	-	32,700
GG Hill [1]	4,167	375	-	-	4,542
Total	**150,367**	**10,590**	**-**	**-**	**160,957**
1 – Resigned 8 September 2009					
2009					
RD Millner	40,000	3,600	-	-	43,600
DC Hall	30,000	2,700	-	-	32,700
AJ Payne	25,000	2,250	-	-	27,250
GG Hill	25,000	2,250	-	-	27,250
IT Huntley [2]	13,625	-	-	-	13,625
Total	**133,625**	**10,800**	**-**	**-**	**144,425**
2 – Appointed 10 February 2009					

Payment to Non-Executive Directors is fixed at $300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

Key Management Personnel 2010	Primary $	Superannuation $	Equity Compensation $	Other Compensation $	Total $
TCD Millner	240,826	21,674	41,250	-	303,750
RJ Pillinger	-	-	16,500	-	16,500
Total	**240,826**	**21,674**	**57,750**	**-**	**320,250**
2009					
TCD Millner [3]	133,792	12,041	-	-	145,833
RJ Pillinger	-	-	-	-	-
Total	**133,792**	**12,041**	**-**	**-**	**145,833**
3 – Appointed 1 December 2008					

There were no retirement allowances provided for the retirement of Non-Executive Directors or Key Management Personnel.

DIRECTORS' REPORT - Continued

Contract of Employment

Mr T Millner is employed by the Company under a contract of employment. This is an open ended contract with a notice period of one month required to terminate employment. Remuneration is fixed at $275,000 per annum inclusive of superannuation.

Remuneration is reviewed annually by the Remuneration Committee.

Mr R Pillinger provides Company Secretarial services under contract through Corporate and Administrative Services Pty Limited. This is an open ended contract with a notice period of one month required to terminate.

15. Beneficial and relevant interest of Directors and Key Management Personnel in Shares

As at the date of this report, details of Directors and Key Management Personnel who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

	Number of Shares
RD Millner	6,252,078
DC Hall	234,460
AJ Payne	191,305
IT Huntley	11,063,445
TCD Millner	10,068
RJ Pillinger	-

16. Directors and Officers' Indemnity

The Constitution of the Parent provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by Corporations Act.

During the year to 30 June 2010, the Group has paid premiums of $40,939 in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities.

17. Proceedings on Behalf of Group

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

DIRECTORS' REPORT - Continued

18. Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

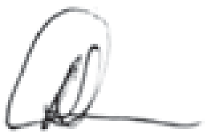
- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

No fees for non-audit services were paid to the external auditor, Ruwald & Evans, during the year ended 30 June 2010.

19. Auditor's Independence Declaration

The Auditor's Independence Declaration for the year ended 30 June 2010 has been received and can be found on page 57.

This report is made in accordance with a resolution of the Directors.



Robert D Millner
Director

Sydney, 4 August 2010

CORPORATE GOVERNANCE

The Board of BKI Investment Company Limited (the Group) are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Group has followed the revised best practice recommendations effective from 1 January 2008 set by the ASX Corporate Governance Council during the reporting year.

This report summarises the Group's application of the 8 Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.

The Board of Directors (hereinafter referred to as the Board) are responsible for the corporate governance of the Parent and its controlled entities. The Directors of the Group are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Role of the Board

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans, the annual budget and financial plans
- ensuring regulatory compliance
- ensuring adequate risk management processes
- monitoring the Board composition, Director's selection and Board processes and performance
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives
  - compliance with the Group's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Group's auditors
- appointment and contributing to the performance assessment of the Chief Executive Officer and external service providers
- enhancing and protecting the reputation of the Group
- reporting to shareholders.

Role of Senior Executives

The responsibilities of Senior Executives include:

- organisation and monitoring of the investment portfolio
- managing organisational performance and the achievement of the Group's strategic goals and objectives
- management of financial performance
- management of internal controls

CORPORATE GOVERNANCE - Continued

Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives.

Performance of Senior Executives is measured against relative market indices and financial and strategic goals approved by the Board. Performance is measured on an ongoing basis using management reporting tools.

Principle 2 – Structure the Board to add value

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are Independent Directors
- Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Group is to maintain a mix of Directors on the Board from different backgrounds with complimentary skills and experience
- the Board seeks to ensure that:
  - at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective
  - the size of the Board is conducive to effective discussion and efficient decision making.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Directors' report under the heading "Directors".

Recommendation 2.1: A majority of the Board should be Independent Directors

Recommendation 2.2: The Chair should be an Independent Director.

The Group has not followed recommendation 2.1 or recommendation 2.2 as the Board currently comprises two independent Non-Executive Directors and two Non-Executive Directors and the Chair is not an Independent Director.

Of the members of the Board, Mr Hall and Mr Huntley are considered independent. Mr Huntley is defined as independent as his shareholding in the Group at less than 5% of issued capital is not considered substantial.

Mr Millner although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Washington H. Soul Pattinson and Company Limited, which is a substantial shareholder of the Parent.

Mr Payne although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Brickworks Limited, which is an associated entity of Washington H. Soul Pattinson and Company Limited, a substantial shareholder of the Parent.

In relation to Directors independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the Director's performance.

Recommendations 2.1 and 2.2 have not been followed because the Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. BKI Investment Company Limited listed on the Australian Stock exchange on 12 December 2003 to take over the investment portfolio of Brickworks Limited and the given their long standing association with the portfolio the Board is satisfied that Mr Millner and Mr Payne play an important role in the continued success and performance of the Group.

CORPORATE GOVERNANCE - Continued

In accordance with the Corporations Act 2001, any member of the Board who has an interest that could conflict with those of the Group must inform the Board. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at any meeting while the item is considered.

Mr Millner and Mr Payne do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, however, for the reasons stated above they can be considered to be acting independently and in the best interest of the Group in the execution of their duties.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The role of Chair and Chief Executive Officer is not occupied by the same individual.

Recommendation 2.4: The Board should establish a Nomination Committee

The Group established a Nominations Committee effective from 12 December 2003.

The Nomination Committee consists of the following members:

RD Millner (Chairman)
DC Hall
IT Huntley

The main responsibilities of the Committee are to:

- assess the membership of the Board having regard to present and future needs of the Group
- assess the independence of Directors to ensure the majority of the Board are Independent Directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee Board succession
- evaluate Board performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and Individual Directors

The Board undertakes an annual self assessment of its collective performance. The self assessment:

- compares the performance of the Board with goals and objectives
- sets forth the goals and objectives of the Board for the upcoming year

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board Committee undertakes an annual self assessment on the performance of each Committee and achievement of Committee objectives.

The Chairman annually assesses the performance of individual Directors, where necessary and meets privately with each Director to discuss this assessment. The Chairman's performance is reviewed by the Board.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct

The Group has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors, employees and external service providers. The Code is regularly reviewed to ensure it

CORPORATE GOVERNANCE - Continued

reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

A signed Code has been received from the CEO, Mr T Millner and from Mr R Pillinger as a representative of Corporate and Administrative Services Pty Limited. No diversions from the Code were noted during the year.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. This includes taking into account:

- their legal obligations and the reasonable expectations of their stakeholders
- their responsibility and accountability for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy

The Group has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all Directors and employees.

BKI Limited's policy regarding allowable dealings by Directors, Officers and employees in BKI shares, options and other securities require each person to:

- never engage in short term trading of the Company's securities;
- not deal in the Company's securities while in possession of price sensitive information;
- notify the Company Secretary of any material intended transactions involving the Company's securities; and
- restrict their buying and selling of the corporation's securities to the following Trading Windows:-
  - during the currency of a prospectus;
  - for a new issue while rights are being traded;
  - where shares are offered pursuant to an approved employee share scheme;
  - to 14 days after the release of the company's half yearly announcement;
  - to 14 days after the release of the company's annual results announcements;
  - to 14 days after the annual general meeting; and
  - to 14 days after release of an NTA announcement.

Any request to trade outside of the Trading Window must be made in writing to the Company Secretary who will record the request in a register of all relevant details of such dealings and the current interests held by Directors. Any such requests will be subject to approval by the Chairman. No requests were made during the current year to trade outside of the Trading Window.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

The members of the Audit Committee at the date of this annual financial report are:

DC Hall (Chairman)
AJ Payne
IT Huntley

CORPORATE GOVERNANCE - Continued

CORPORATE GOVERNANCE - Continued

Recommendation 4.2: The Audit Committee should be structured so that it:

- *consists only of Non-Executive Directors*
- *consists of a majority of Independent Directors*
- *is chaired by an Independent Chair, who is not Chair of the Board*
- *has at least three members*

The Audit Committee consists only of Non-Executive Directors. The majority of members are independent.

The Chairman of the Audit Committee is an Independent, Non-Executive Director who is not Chairman of the Board. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the Audit Committee are all financially literate and have a strong understanding of the industry in which the Group operates.

Recommendation 4.3: The Audit Committee should have a formal charter

The main responsibilities of the Audit Committee are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Group or released to the market
- reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Group where the auditor would have a mutual or conflicting interest with the Group; be in a position where they audit their own work; function as management of the Group; or have their independence impaired or perceived to be impaired in any way
- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the Committee's role and responsibilities.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Chairman and Company Secretary have been nominated as being the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and

CORPORATE GOVERNANCE - Continued

co-ordinating information disclosure to ASX. The Chairman is responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The Parent has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Group.

Shareholders are updated with the Group's operations via monthly ASX announcements of the Net Tangible Asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post. In addition, a copy of the annual report is distributed to all shareholders who elect to receive it, and is available on the Group's website.

The Board encourages participation by shareholders at the Annual General Meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Group's performance and goals.

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is committed to the identification and quantification of risk throughout the Group's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Board operates to minimise its exposure to investment risk, in part, by implementing stringent processes and procedures to effectively manage investment risk.

Management of investment risk is fundamental to the business of the Group being an investor in Australian listed securities. An Investment Committee has been established to perform, among other roles, investment risk mitigation.

The Investment Committee consists of the following members:

RD Millner (Chairman)

AJ Payne

IT Huntley

TCD Millner

The main responsibilities of the Committee are to:

- assess the information and recommendations received from the Chief Executive Officer in his role as portfolio manager regarding the present and future investment needs of the Group
- assess the performance of the Chief Executive Officer in his role as portfolio manager

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000
Revenue from investment portfolio	2 (a)	**21,599**	19,907
Revenue from bank deposits	2 (c)	**2,303**	2,382
Other income	2 (d)	**16**	19
Other gains	2 (e)	**648**	871
Income from operating activities before special investment revenue and net gains / (losses) on investment portfolio		**24,566**	23,179
Operating expenses	3	**(1,008)**	(1,426)
Operating profit before income tax expense, special investment revenue and net gains / (losses) on investment portfolio		**23,558**	21,753
Income tax expense	4	**(1,157)**	(1,093)
Net operating profit before special investment revenue and net gains / (losses) on investment portfolio		**22,401**	20,660
Special investment revenue	2 (b)	**11,155**	1,295
Net operating profit before net gains / (losses) on investment portfolio		**33,556**	21,955
Realised (losses) / gains on investment portfolio sold before 31 December 2009		**(3,369)**	(5,396)
Tax credit / (expense) relating to net realised (losses) / gains on investment portfolio	4	**1,011**	3,090
Net realised (losses) / gains on investment portfolio sold before 31 December 2009		**(2,358)**	(2,306)
Discount on acquisition of controlled entity		**(46)**	3,323
Profit for the year after net (losses)/gains on investment portfolio and discount on acquisition		**31,152**	22,972
Net loss attributable to Minority Interest		**-**	146
Profit for the year attributable to members of the Company		**31,152**	23,118
		2010 Cents	**2009 Cents**
Basic earnings per share	21	**7.57**	6.63
Diluted earnings per share	21	**7.57**	6.63

This Income Statement should be read in conjunction with the accompanying notes

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000
Profit for the year attributable to members of the Company		**31,152**	23,118
Other Comprehensive Income / (Loss)			
Unrealised gains / (losses) on investment portfolio		**39,414**	(58,484)
Deferred tax (expense) / credit on unrealised gain / (losses) on investment portfolio		**(11,824)**	17,545
Realised (losses) / gains on investment portfolio since 1 January 2010		**86**	-
Tax credit / (expense) relating to net realised (losses) / gains on investment portfolio since 1 January 2010		**(26)**	-
Total Other Comprehensive Income / (Loss)		**27,650**	(40,939)
Total Comprehensive Income / (Loss)		**58,802**	(17,821)

This Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000	2008 $'000
Current Assets				
Cash and cash equivalents	6	**47,324**	35,818	43,645
Trade and other receivables	7	**3,810**	2,919	4,413
Trading portfolio	8(a)	**-**	247	-
Prepayments		**21**	39	15
Total Current Assets		**51,155**	39,023	48,073
Non-Current Assets				
Investment Portfolio	8(b)	**503,679**	442,210	394,001
Property, Plant & Equipment	9	**9**	11	-
Deferred tax assets	10	**4,233**	3,300	498
Total Non-Current Assets		**507,921**	445,521	394,499
Total Assets		**559,076**	484,544	442,572
Current Liabilities				
Trade and other payables	11	**1,077**	84	166
Current tax liabilities	12	**204**	2,043	172
Employee Benefits	13	**13**	3	-
Total Current Liabilities		**1,294**	2,130	338
Non-Current Liabilities				
Deferred tax liabilities	14	**23,380**	11,275	30,811
Total Non-Current Liabilities		**23,380**	11,275	30,811
Total Liabilities		**24,674**	13,405	31,149
Net Assets		**534,402**	471,139	411,423
Equity				
Share capital	15	**449,707**	420,925	322,915
Revaluation reserve	16	**54,032**	26,442	67,381
Realised capital gains reserve	17	**1,444**	3,742	6,048
Retained profits	18	**29,219**	20,030	15,079
Total Equity		**534,402**	471,139	411,423

This Balance Sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED ENTITY	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains Reserve $'000	Retained Profits $'000	Total Equity $'000
Total equity at 1 July 2008	**322,915**	**67,381**	**6,048**	**15,079**	**411,423**
Issue of shares, net of cost	98,010	-	-	-	**98,010**
Dividends paid or provided for	-	-	-	(20,473)	**(20,473)**
Revaluation of investment portfolio	-	(58,484)	-	-	**(58,484)**
Provision for tax on unrealised losses	-	17,545	-	-	**17,545**
Profit / (Loss) for the year	-	-	(2,306)	25,424	**23,118**
Total equity at 30 June 2009	**420,925**	**26,442**	**3,742**	**20,030**	**471,139**
Total equity at 1 July 2009	**420,925**	**26,442**	**3,742**	**20,030**	**471,139**
Issue of shares, net of cost	28,782	-	-	-	**28,782**
Dividends paid or provided for	-	-	-	(24,321)	**(24,321)**
Revaluation of investment portfolio	-	39,414	-	-	**39,414**
Provision for tax on unrealised losses	-	(11,824)	-	-	**(11,824)**
Profit / (Loss) for the year	-	-	(2,358)	33,510	**31,152**
Net realised gains post 1 January 2010 through other comprehensive income	-	-	60	-	**60**
Total equity at 30 June 2010	**449,707**	**54,032**	**1,444**	**29,219**	**534,402**

This Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Payments to suppliers and employees		**(912)**	(2,143)
Other receipts in the course of operations		**16**	31
Dividends and distributions received		**32,279**	22,141
Payments for trading portfolio		**(1,375)**	(2,046)
Proceeds from sale of trading portfolio		**2,380**	2,965
Interest received		**1,855**	2,621
Income tax paid		**(2,583)**	(204)
Net cash inflows from operating activities	19(a)	**31,660**	23,365
Cash flows from investing activities			
Cash acquired on acquisition of controlled entity		**-**	16,636
Purchase costs for acquisition of controlled entity		**(46)**	(1,412)
Payment for investment portfolio		**(35,284)**	(34,779)
Proceeds from sale of investment portfolio		**10,715**	5,365
Payments for plant and equipment		**-**	(13)
Net cash outflow from investing activities		**(24,615)**	(14,203)
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs		**24,023**	(78)
Dividends paid	5(a)	**(19,562)**	(16,911)
Net cash inflow / (outflow) from financing activities		**4,461**	(16,989)
Net increase / (decrease) in cash held		**11,506**	(7,827)
Cash at the beginning of the year		**35,818**	43,645
Cash at the end of the year		**47,324**	35,818

This Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the parent entity of BKI Investment Company Limited and controlled entities, and BKI Investment Company Limited as an individual parent entity. Following recent changes to corporate reporting requirements, parent company information is summarised in Note 27. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of BKI Investment Company Limited and controlled entities, and BKI Investment Company Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented except as follows:

ASB 101 (revised): *Presentation of Financial Statements*

With effect from 1 July 2009, the Group has adopted the revised AASB 101 – *Presentation of Financial Statements.* This standard requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard has no impact on the Group's net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains / (losses) on the investment portfolio and the associated deferred tax (charge) / credit were presented in the Statement of Changes in Equity. These items are now presented as components of "Other Comprehensive Income" in the new Statement of Comprehensive Income.

AASB 9: *Financial Instruments*

The Group has early adopted AASB 9 – *Financial Instruments*, with effect from 31 December 2009. Under this new standard, the Group has designated the investments in the investment portfolio held at that date as at "fair value through other comprehensive income".

Application of the new standard results in realised gains and losses arising from the disposal of investments in the investment portfolio (and the associated tax charge / (credit)) being recognised as "Other Comprehensive Income" in the new Statement of Comprehensive Income instead of forming a component of profit in the Income Statement.

Under the old accounting standard where there was objective evidence of impairment, an impairment charge was required to be booked through the income statement, even where no loss had been realised. There are no such impairment provisions for the Group's investments in the new standard. The adoption of this accounting standard has no impact on the valuation of the Group's investments and therefore no impact on the Group's net assets or total comprehensive income.

The adoption of both of these standards results in all realised and unrealised gains and losses on the investment portfolio being reported through the Statement of Comprehensive Income.

AASB 9 may only be applied retrospectively for those investments held on the date of adoption, 31 December 2009. However, investments which were sold prior to 31 December 2009 continue to be accounted for under AASB 139, resulting in the realised gains or losses on these sales continuing to form a component of profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Therefore both the comparative period and the current period profits include realised gains or losses from the sale of investments from the investment portfolio. All sales from the investment portfolio subsequent to 31 December 2009 will be accounted for through other comprehensive income and not profit. Comparatives have only been restated in respect of those investments the Group held at 31 December 2009. This restatement only impacts the allocation of reserves at 30 June 2009, with no impact on net profit or net assets. Further information has been provided in note 28.

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	**AASB Terminology**
Market Value	Fair Value for Actively Traded Securities

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity BKI Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 24 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income Tax (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BKI Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each group in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

The Group has two portfolios of securities, the investment portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis and the trading portfolio comprises securities held for short term trading purposes.

Securities within the investment portfolio are classified as ‘financial assets measured at fair value through other comprehensive income’, and are designated as such upon initial recognition. Securities held within the trading portfolio are classified as ‘mandatorily measured at fair value through profit or loss in accordance with AASB 9’.

Valuation of investment portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values continuously. Movements in carrying values of securities are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Listed securities are initially brought to account at market value, which is the cost of acquisition and are revalued to market values continuously.

Movements in carrying values of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Impairment of Assets

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including annual leave, expected to be settled within 12 months of balance date are recognised as current provisions in respect of employees' services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

In calculating the value of long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share incentives

Share incentives are provided under the Short and Long Term Incentive Plans. The Short and Long Term Incentive Plans are settled in shares, but based on a cash amount. A provision for the amount payable under the Short Term Incentive plan is recognised on the Balance Sheet.

For the Long Term Incentive Plan, the incentives are based on the performance of the Group over a minimum three year period. The incentives are settled in shares (but based on a cash amount). Expenses are recognised over the assessment period based on the amount expected to be payable under this plan, resulting in a provision for incentive payable being built up on the balance sheet over the assessment period.

In the event that the executive does not complete the period of service, the cumulative expense is reversed.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

f. Revenue

Sale of investments occur when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

g. Plant and Equipment

Plant and equipment represents the costs of furniture and computer equipment and is depreciated over its useful life, a period of between 3 and 5 years.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

i. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

j. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where a retrospective restatement of items in the statement of financial position has occurred, presentation of the statement as at the beginning of the earliest comparative period has been included.

k. Rounding of Amounts

The parent has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest $1,000.

l. Critical Accounting Estimates and Judgments

Deferred Tax Balances

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Group's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 14. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

m. Australian Accounting Standards not yet effective

Other than as described under the Basis of Preparation above, the Group has not yet applied any Australian Accounting Standards or Australian Accounting Interpretations that have been issued as at balance date but are not yet mandatory for the year ended 30 June 2010. The impact of these new standards and interpretations not yet applied has been assessed and is set out below:

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* (application date 1 July 2010).

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:

The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

m. Australian Accounting Standards not yet effective (continued)

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent.

The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]* (application date 1 July 2010).

This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]* (application date 1 July 2010).

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party.

No other non-mandatory standards are considered applicable to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. REVENUES

	Consolidated 2010 $'000	2009 $'000
(a) Revenue from investment portfolio		
Rebateable dividends:		
- other corporations	**19,062**	18,121
Non - rebateable dividends:		
- other corporations	**1,526**	1,216
Distributions:		
- other corporations	**959**	570
Interest received - notes	**52**	-
	21,599	19,907
(b) Special investment revenue		
Rebateable dividends - special:		
- other corporations	**11,155**	1,295
(c) Revenue from bank deposits		
Interest received	**2,303**	2,382
(d) Other income		
Other revenue	**16**	19
(e) Other gains / losses		
Net gain on sale of investments held for trading	**648**	778
Unrealised net gain on investments held for trading	**-**	93
	648	871
Total Income	**35,721**	24,474

3. OPERATING EXPENSES

	Consolidated 2010 $'000	2009 $'000
Administration expenses	**372**	428
Occupancy Costs	**8**	5
Employment expense	**489**	295
Professional fees	**137**	166
Depreciation	**2**	2
Management fees	**-**	530
Total Expenditure	**1,008**	1,426

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

4. TAX EXPENSE

The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

	Consolidated 2010 $'000	2009 $'000
(a) Operating profit before income tax expense and net gains on investment portfolio	**34,713**	23,048
Tax calculated at 30% (2009:30%)	**10,414**	6,914
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Franked dividends and distributions received	**(9,065)**	(5,821)
- (Over)/Under provision in prior year	**(192)**	-
Net tax expense on operating profit before net gains on investments	**1,157**	1,093
Net gains on investments prior to 31 December 2009	**(3,369)**	(5,396)
Tax calculated at 30% (2009: 30%)	**(1,011)**	(1,619)
Tax effect of:		
- difference between accounting and tax cost bases for capital gains purposes	**-**	(1,471)
Tax expense on net gains on investments	**(1,011)**	(3,090)
Net gains on investments post 31 December 2009	**86**	-
Tax calculated at 30% (2009: 30%)	**26**	-
Total Tax (credit) / expense	**172**	(1,997)

5. DIVIDENDS

(a) Dividends paid during the year

	2010 $'000	2009 $'000
Final dividend for the year ended 30 June 2009 of 3.0 cents per share (2008: 3.0 cents per share) fully franked at the tax rate of 30%, paid on 4 September 2009	**11,824**	8,729
Interim dividend for the year ended 30 June 2010 of 2.5 cents per share (2009: 3.0 cents per share) fully franked at the tax rate 30%, paid on 12 March 2010	**10,414**	11,744
Interim special dividend for the year ended 30 June 2010 of 0.5 cents per share (2009: 0 cents per share) fully franked at the tax rate 30%, paid on 12 March 2010	**2,083**	-
Total	**24,321**	20,473

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

5. DIVIDENDS (continued)

	Consolidated 2010 $'000	2009 $'000
Dividends paid in cash or invested in shares under the dividend reinvestment plan ("DRP")		
Paid in cash	**19,562**	16,911
Reinvested in shares via DRP	**4,759**	3,562
Total	**24,321**	20,473
Franking Account Balance		
Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	**19,811**	16,984
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (b) below	**(5,830)**	(5,068)
Net available	**13,981**	11,916

(b) Dividends declared after balance date

Since the end of the financial year the Directors have declared a final ordinary dividend for the year ended 30 June 2010 of 2.75 of cents per share (2009: final 3.0 cents per share) and a final special dividend for the year ended 30 June 2010 of 0.5 of cents per share (2009: final special 0 cents per share). Both are fully franked at the tax rate of 30% and payable on 10 September 2010, and have not been recognised as a liability at the end of the financial year.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2010 $'000	2009 $'000	2008 $'000
Cash at bank	**47,087**	27,012	2,623
Short term bank deposits	**237**	8,806	41,022
	47,324	35,818	43,645

7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2010	2009	2008
Dividends receivable	**3,146**	2,723	2,948
Distributions receivable	**-**	-	197
Interest receivable	**664**	167	406
Outstanding settlements	**-**	-	833
Other receivable	**-**	29	29
	3,810	2,919	4,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

8. FINANCIAL ASSETS - INVESTMENT PORTFOLIO

	Consolidated		
	2010 $'000	2009 $'000	2008 $'000
(a) Trading Portfolio - Current			
Listed securities at fair value held for trading:			
- Shares in other corporations	**-**	247	-
(b) Investment Portfolio - Non-Current			
Listed securities at fair value available for sale:			
- Shares in other corporations	**503,679**	442,210	394,001
Total Investment Portfolio	**503,679**	442,457	394,001

9. PROPERTY, PLANT AND EQUIPMENT

Office equipment, furniture & fittings at cost	**19**	19	6
Accumulated depreciation	**(10)**	(8)	(6)
Total	**9**	11	-

Reconciliation of the carrying amounts of each class of asset at the beginning and end of the financial year:

Office equipment, furniture & fittings at cost			
Carrying value at 1 July	**11**	-	-
Additions	**-**	13	-
Depreciation expense	**(2)**	(2)	-
Carrying value at 30 June	**9**	11	-

10. NON CURRENT ASSETS - DEFERRED TAX ASSETS

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	**419**	553	489
Accrued expenses	**55**	19	9
Tax losses	**3,759**	2,728	-
	4,233	3,300	498

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

10. NON CURRENT ASSETS - DEFERRED TAX ASSETS (continued)

	Opening Balance $'000	Credited/ (Charged) to Statement of Comprehensive Income $'000	Tax Balances Transferred on Takeover $'000	Tax Balance Transferred $'000	Closing Balance $'000
Consolidated					
Transaction costs on equity issues	489	(133)	197	-	553
Accrued expenses	9	(17)	27	-	19
Tax losses	-	3,090	-	(362)	2,728
Balance as at 30 June 2009	498	2,940	224	(362)	3,300
Transaction costs on equity issues	553	(134)		-	419
Accrued expenses	19	36		-	55
Tax losses	2,728	1,031	-		3,759
Balance as at 30 June 2010	3,300	933	-	-	4,233

11. TRADE AND OTHER PAYABLES

	Consolidated		
	2010 $'000	2009 $'000	2008 $'000
Current Liabilities			
Creditors and accruals	**1,077**	84	166

12. CURRENT TAX LIABILITIES

Provision for income tax	**204**	2,043	172

13. TRADE AND OTHER PAYABLES

Aggregate employee benefits	**13**	3	-
Analysis of provisions:			
Current	**13**	3	-
	13	3	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

14. NON CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated		
	2010 $'000	2009 $'000	2008 $'000
The deferred tax liability balance comprises the following timing differences:			
Revaluation of investments held	**23,073**	11,241	30,603
Non rebateable dividends receivable and interest receivable	**307**	34	208
	23,380	11,275	30,811

Movements in deferred tax liabilities

	Opening Balance $'000	Credited/ (Charged) to Statement of Comprehensive Income $'000	Tax Balances Transferred on Takeover $'000	Tax Balance Transferred $'000	Closing Balance $'000
Consolidated					
Revaluation of investment portfolio	30,603	(1,356)	(17,644)	(362)	11,241
Non rebateable dividends receivable and interest receivable	208	(174)	-	-	34
Balance as at 30 June 2009	30,811	(1,530)	(17,644)		11,275
Revaluation of investment portfolio	11,241	8	11,824		23,073
Non rebateable dividends receivable and interest receivable	34	273	-	-	307
Balance as at 30 June 2010	11,275	281	11,824		23,380

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

15. SHARE CAPITAL

	Consolidated 2010 $'000	2009 $'000	2008 $'000
(a) Issued and paid-up capital			
418,566,158 ordinary shares fully paid (2009: 394,143,000)	449,707	420,925	322,915

(b) Movement in ordinary shares

	2010 Number of Shares	2010 $'000	2009 Number of Shares	2009 $'000
Beginning of the financial year	**394,143,000**	**420,925**	290,966,594	322,915
Issued during the year:				
- dividend reinvestment plan	**3,999,346**	**4,759**	3,813,744	3,562
- share purchase plan	**20,423,812**	**24,100**	-	-
- issued as consideration on takeover	**-**	**-**	99,362,662	94,526
- less net transaction costs		**(77)**		(78)
End of the financial year	**418,566,158**	**449,707**	394,143,000	420,925

The Parent does not have an authorised share capital and the ordinary shares on issue have no par value.

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Capital Management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying an enhanced level of dividends and providing attractive total returns over the medium to long term.

The Group recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Group's capital consists of shareholders equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2010 net debt was $ Nil (2009: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

16. REVALUATION RESERVE

The Revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio.

	Consolidated		
	2010 $'000	2009 $'000	2008 $'000
Balance at the beginning of the year	**26,442**	67,381	100,128
Revaluation of investment portfolio	**27,590**	(40,939)	(32,747)
Balance at the end of the year	**54,032**	26,442	67,381

17. REALISED CAPITAL GAINS RESERVE

The Realised capital gains reserve records gains or losses after applicable taxation arising from the disposal of securities in the investment portfolio.

Balance at the beginning of the year	**3,742**	6,048	2,660
Net (losses) / gains on investment portfolio transferred from retained profits	**(2,358)**	(2,306)	3,388
Net (losses) / gains on investment portfolio transferred from Statement of Comprehensive Income	**60**	-	-
Balance at the end of the year	**1,444**	3,742	6,048

18. RETAINED PROFITS

Retained profits at the beginning of the year	**20,030**	15,079	11,317
Net profit attributable to members of the company	**31,152**	23,118	22,576
Net losses / (gains) on investment portfolio transferred to realised capital gains reserve	**2,358**	2,306	(3,388)
Dividends provided for or paid	**(24,321)**	(20,473)	(15,426)
Retained profits at the end of the year	**29,219**	20,030	15,079

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

19. RECONCILIATION OF CASH FLOW

	Consolidated	
	2010	2009
	$'000	$'000
(a) Reconciliation of cash flow from operating activities to operating profit		
Net Profit from ordinary activities	**31,152**	22,972
Non cash item :		
- net losses on investment portfolio	**2,358**	2,306
- discount on acquisition of controlled entity	**46**	(3,323)
- depreciation expense	**2**	2
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease in available for sale financial assets	**357**	48
(Increase) / Decrease in receivables and prepayments	**(873)**	1,178
Decrease in deferred tax assets	**52**	512
Increase / (Decrease) in payables	**114**	(710)
Increase in employee entitlements	**10**	3
Increase / (Decrease) in deferred tax liabilities	**281**	(493)
Increase / (Decrease) in current tax liabilities	**(1,839)**	870
Net cash inflow from operating activities	**31,660**	23,365

(b) Non-cash financing and investing activities - Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, $4,759,000 (2009: $3,562,000) of dividends were paid via the issue of 3,999,346 shares (2009: 3,813,744).

(c) Acquisition of controlled entities

No controlled entities were acquired in 2010. $46,000 of costs have been incurred in the current year in relation to the acquisition of Huntley Investment Company Limited during 2009. No more costs are expected to be incurred in relation to this acquisition.

During 2009, the Group completed the takeover of 100% of the share capital of Huntley Investment Company Limited. Purchase consideration was the issue of 99,362,662 ordinary shares of BKI Investment Company Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

20. AUDITOR'S REMUNERATION

	Consolidated	
	2010	2009
	$'000	$'000
Remuneration of the auditor of the parent entity for:		
Auditing the financial report of the Parent and the controlled entities	**21**	22

21. EARNINGS PER SHARE

Profit for the year	**31,152**	23,118
Earnings used in calculating basic and diluted earnings per share	**31,152**	23,118

	2010	2009
	No. ('000)	No. ('000)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**411,636**	348,548
Basic earnings per share (cents)	**7.57**	6.63
Diluted earnings per share (cents)	***7.57***	6.63

22. KEY MANAGEMENT PERSONNEL REMUNERATION

(a) The names and positions held of Group Directors and Key Management Personnel in office at any time during the financial year are:

Name	**Position**
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
GG Hill	Non-Executive Director (resigned 8 September 2009)
TCD Millner	Chief Executive Officer (appointed 1 December 2009)
RJ Pillinger	Company Secretary (services provided under contract through Corporate and Administrative Services Pty Limited)

There are no other employees of the Group.

Details of the nature and amount of each Non – Executive Director's and Key Management Personnel's emoluments from the Group in respect of the year to 30 June 2010 have been included in the Remuneration Report section of the Directors' Report.

Payment to Non-Executive Directors is fixed at $300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

These fees exclude any additional fee for any service based agreement which may be agreed from time to time and the reimbursement of out of pocket expenses.

23. SUPERANNUATION COMMITMENTS

The Group contributes superannuation payments on behalf of Directors and employees in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and employees and are independent of the Group.

24. RELATED PARTY TRANSACTIONS

Related parties of the Group fall into the following categories:

(i) Controlled Entities

At 30 June 2010, subsidiaries of the Parent were:

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
Brickworks Securities Pty Limited	Australia	**100**	100
Pacific Strategic Investments Pty Limited	Australia	**100**	100
Huntley Investment Company Limited	Australia	**100**	100

Transactions between the Parent and its controlled entities consist of loan balance due from the Parent to its controlled entities. No interest is charged on the loan balance by the controlled entities and no repayment period is fixed for the loan.

(ii) Directors/Officers Related Entities

Persons who were Directors/Officers of BKI Investment Company Limited for part or all of the year ended 30 June 2010 were:

Directors:	RD Millner
	DC Hall
	AJ Payne
	IT Huntley
	GG Hill (resigned 8 September 2009)
Chief Executive Officer	TCD Millner
Company Secretary:	RJ Pillinger (services provided under contract through Corporate and Administrative Services Pty Limited)

Corporate and Administrative Services Pty Limited

The Group has appointed Corporate & Administrative Services Pty Limited, an entity in which Mr. RD Millner has an indirect interest to provide the Group with administration, company secretarial services and preparation of all financial accounts.

Administration and secretarial fees paid for services provided to the Parent and its controlled entities for the year ending 30 June 2010 were $117,480 (2009: $111,540, including GST) and are at standard market rates.

No administration fees were owed by the Group to Corporate & Administrative Services Pty Limited as at 30 June 2010.

(iii) Transactions in securities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

(b) Share and Option Holdings

Aggregate number of listed securities of the Company held by Key Management Personnel or their related entities:

Shares

2010	Balance at 1/07/09	Granted as compensation	Net Change Other	Balance at 30/6/10
RD Millner	5,621,223	-	630,855	6,252,078
DC Hall	221,749	-	12,711	234,460
AJ Payne	169,612	-	21,693	191,305
IT Huntley	11,004,901	-	58,544	11,063,445
TCD Millner	1,500	-	8,568	10,068
RJ Pillinger	-	-	-	-
Total	17,018,985	-	732,371	17,751,356

2009	Balance at 1/07/08	Granted as compensation	Net Change Other	Balance at 30/6/09
RD Millner	4,905,200	-	716,023	5,621,223
DC Hall	221,749	-	-	221,749
AJ Payne	120,586	-	49,026	169,612
IT Huntley *	-	-	11,004,901	11,004,901
GG Hill	764,367	-	76,936	841,303
TCD Millner	1,500	-		1,500
RJ Pillinger	-	-	-	-
Total	6,013,402	-	11,846,886	17,860,288

* Mr. IT Huntley was issued these shares as consideration for his holding in Huntley Investment Company Limited under the terms of the takeover.

Directors acquired shares through Dividend Reinvestment Plan or on-market purchase.

There has been no other change to Directors’ shareholdings during the year ended 30 June 2010.

All Key Management Personnel or their associated entities, being shareholders are entitled to receive dividends.

25. FINANCIAL REPORTING BY SEGMENTS

The Group operates solely in the securities industry in Australia and has no reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

26. MANAGEMENT OF FINANCIAL RISK

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Audit Committee has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit Committee.

a) Financial instruments' terms, conditions and accounting policies

The Group's accounting policies are included in note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

b) Net fair values

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in note 1 to the accounts.

c) Credit risk

The risk that a financial loss will occur because counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Group's financial assets, excluding investments, is the carrying amount of those assets. The Group's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

The spread of cash and bank bills between banks is reviewed monthly by the Board to determine if it is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

d) Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument.

The Group is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share prices of the companies and trusts in which it is invested.

As the market value of individual companies fluctuates throughout the day, the market value of the portfolio changes continuously. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 90% (2009: 92%) of total assets.

A 5% movement in the market value of each of the companies and trusts within the portfolio would result in a 5% (2009: 5%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2010.

The net asset backing before provision for tax on unrealised capital gains would move by 6.0 cents per share at 30 June 2010 (2009: 5.6 cents).

The performance of the companies within the portfolio is monitored by the Investment Committee and the Board as a whole.

The Group seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one particular sector of the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

26. MANAGEMENT OF FINANCIAL RISK (continued)

d) Market risk (continued)

At 30 June 2010, the spread of investments is in the following sectors:

Sector	Percentage of total investment 2010 %	Percentage of total investment 2009 %	Amount 2010 $'000	Amount 2009 $'000
Financials	**34.01**	35.20	**187,414**	168,341
Energy	**15.19**	17.87	**83,702**	85,488
Materials	**11.80**	12.67	**65,011**	60,611
Consumer Staples	**10.24**	9.67	**56,420**	46,265
Bank deposits	**8.59**	7.49	**47,324**	35,818
Industrials	**6.38**	5.47	**35,148**	26,176
Telecommunications Services	**4.89**	3.94	**26,964**	18,849
Consumer Discretionary	**4.18**	3.56	**23,057**	17,028
Utilities	**3.44**	3.41	**18,977**	16,327
Health Care	**0.65**	0.15	**3,588**	695
Property Trusts	**0.62**	0.56	**3,398**	2,677
	100.0	100.0	**551,003**	478,275

Securities representing over 5% of the investment portfolio at 30 June 2010 were:

Company				
New Hope Corporation Limited	**12.9%**	14.1%	**64,946**	67,310
BHP Billiton Limited	**10.4%**	9.9%	**52,155**	47,190
National Australia Bank Limited	**8.3%**	9.0%	**41,830**	39,590
Commonwealth Bank	**8.0%**	7.2%	**40,416**	31,920
Westpac Banking Corporation	**5.0%**	5.2%	**25,091**	22,930
	44.6%	45.4%	**224,438**	208,940

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Group is not exposed to foreign currency risk as all its investments are quoted in Australian dollars. The fair value of the Group's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

26. MANAGEMENT OF FINANCIAL RISK (continued)

e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due.

The Group has a zero level of gearing, and sufficient cash reserves to meet operating cash requirements at current levels for well in excess of 5 years.

The Group's other major cash outflows are the purchase of securities and dividends paid to shareholders and the level of both of these is fully controllable by the Board.

Furthermore, the majority of the assets of the Group in the form of readily tradable securities which can be sold on-market if necessary.

f) Capital risk management

The Group invests its equity in a diversified portfolio of assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital is increased annually through the issue of shares under the Dividend Reinvestment Plan. Other means of increasing capital include Rights Issues, Share Placements and Share Purchase Plans.

27. PARENT COMPANY INFORMATION

	2010 $'000	2009 $'000
Information relating to the parent entity of the Group, BKI Investment Company Limited:		
Current assets	51,155	37,723
Non-current assets	705,298	642,612
Total assets	756,453	680,335
Current liabilities	1,214	2,120
Non-current liabilities	228,883	215,844
Total liabilities	230,097	217,964
Issued capital	449,707	420,925
Reserves	76,649	41,446
Total shareholders' equity	526,356	462,371
Profit or loss	30,949	16,764
Total Other Comprehensive Income / (Loss)	28,578	(42,275)

The parent company has no contingent liabilities at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (continued)

28. EFFECT OF CHANGES IN ACCOUNTING STANDARDS

The impact on comparative profit, other comprehensive income and the allocation of the Company's reserves resulting from the adoption of AASB 9 is summarised below.

(i) Net profit – restated 2009 results

	As previously reported $'000	Reverse net impairment charge $'000	Restated $'000
Consolidated			
Profit for the year attributable to members of the Company	22,112	1,006	23,118
Earnings per share (cents - basic)	6.34	0.29	6.63

(ii) Other comprehensive income

Consolidated			
Net unrealised loss on investment portfolio	(39,933)	(1,006)	(40,939)

The restated net unrealised loss on the investment portfolio for the year ended 30 June 2009 is shown in the Total Other Comprehensive Loss for 2009.

(iii) Shareholders' equity

During the year ended 30 June 2009, under the old AASB 139, the Company was required to book an impairment charge. There are no provisions for impairment in the new standard, which is retrospectively applied to investments held at the date of adoption, 31 December 2009.

The Company has not sold the investments against which an impairment charge was taken at 30 June 2009, and therefore retrospectively applying AASB 9 at 30 June 2009 results in the reversal of this impairment charge (as this will be taken as an unrealised loss through other comprehensive income instead of an impairment loss through profit).

This results in the following restatement of reserves on the 30 June 2009 balance sheet.

Consolidated			
Share capital	420,925	-	420,925
Revaluation reserve	27,448	(1,006)	26,442
Realised capital gains reserve	3,742	-	3,742
Retained profits	19,024	1,006	20,030
Total Shareholder's Equity	471,139	-	471,139

29. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2010.

30. AUTHORISATION

The financial report was authorised for issue on 4 August 2010 by the Board of Directors.

DIRECTORS' DECLARATION

The Directors of BKI Investment Company Limited declare that:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b. comply with International Financial Reporting Standards as disclosed in Note 1; and

    c. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity;

2. In the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;

3. This declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

This declaration is made in accordance with a resolution of the Board of Directors.

Robert D Millner
Director

Sydney
4 August 2010

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of BKI Investment Company Limited (the company), which comprises the balance sheet as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both BKI Investment Company Limited and the BKI Investment Company Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards These Auditing Standards require that we comply with relevant ethical requirements relating to auditing engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve the analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of BKI Investment Company Limited on 4 August 2010, would be in the same terms if provided to the directors as at the date of this audit report.

Auditor's Opinion

In our opinion:

(a) The financial report of BKI Investment Company Limited is in accordance with the Corporations Act 2001, including:
  i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  ii. complying with Australian Accounting Standards(including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration Report included in the directors report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

RUWALD & EVANS

Martin Bocxe

Partner

Level 1, 276 Pitt Street, SYDNEY NSW 2000

4 August, 2010

AUDITOR'S INDEPENDENCE DECLARATION

Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of BKI Investment Company Limited and Controlled Entities

As lead audit partner for the audit of the financial statements of BKI Investment Company Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, during the review for the year ended 30 June 2010, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

RUWALD & EVANS

Martin Bocxe
Partner

Level 1, 276 Pitt Street,
SYDNEY NSW 2000

4 August, 2010

ASX Additional Information

1) Equity Holders

At 30 July 2010, there were 11,374 holders of ordinary shares in the capital of the Parent. These holders were distributed as follow:

No. of Shares held	No. of Shareholders
1 – 1,000	730
1,001 – 5,000	1,918
5,001 – 10,000	1,825
10,001 – 100,000	6,325
100,001 and over	512
Total	**11,374**

Holding less than a marketable parcel of 421 shares	453

Votes of Members

Article 5.12 of the Company's Constitution provides:

a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.

b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:

   (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and

   (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited on that Share).

ASX Additional Information (continued)

The 20 largest holdings of the Parent's share as at 30 July 2010 are listed below:

Name	Shares Held	%
Washington H Soul Pattinson & Company Limited	56,796,574	13.57%
Huntley Group Investments Pty Limited <Huntley Group Investments A/C>	8,523,274	2.04%
Argo Investments Limited	8,311,237	1.99%
Bougainville Copper Limited	4,907,527	1.17%
J S Millner Holdings Pty Limited	3,534,557	0.84%
UBS Wealth Management Australia Nominees Pty Ltd	1,630,713	0.39%
Huntley Group Investments Pty Limited <Ian Huntley Super Fund A/C>	1,529,360	0.37%
Lunicash Super Pty Ltd	1,435,602	0.34%
Willpower Investments Pty Ltd	1,164,903	0.28%
Aust Executor Trustees Ltd <LIC Fund A/C>	1,158,638	0.28%
T G Millner Holdings Pty Limited	1,153,442	0.28%
Milton Corporation Limited	1,147,375	0.27%
D E C Investments Pty Limited	1,093,408	0.26%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	959,001	0.23%
Patjen2 Pty Ltd	957,043	0.23%
Farjoy Pty Ltd	917,655	0.22%
Mrs Patricia Roberta Huntley	902,763	0.22%
The Miller Foundation Ltd	900,000	0.22%
One 478 Pty Ltd	900,000	0.22%
Trephant Pty Ltd	840,000	0.20%
Total top 20 security holders	**98,763,072**	**23.62%**
Total number of shares on issue	**418,566,158**	

2) Substantial Shareholders

As at 30 July 2010 the name and holding of substantial shareholder as disclosed in a notice received by the Parent is:

Substantial Shareholders	No. of Shares	% of Total
Washington H Soul Pattinson & Company Ltd	56,796,574	13.57%

ASX Additional Information (continued)

3) Other Information:

- There is no current on-market buy-back in place.
- There were 296 (2009: 171) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was $164,240 (2009: $81,124)

4) Management Expense Ratio:

The Management Expense Ratio ("MER") is the total expenses of the Group for the financial year, as shown in the income statement, expressed as a percentage of the average total assets of the Group for the financial year.

30/06/04	30/06/05	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10
0.69%	0.71%	0.56%	0.46%	0.46%	0.31%	0.19%

BKI INVESTMENT
COMPANY LIMITED